

Schedule of Federal Audit Findings and Questioned Costs

Orcas Island School District No. 137 San Juan County September 1, 2008 through August 31, 2009

- 1. Orcas Island School District did not have adequate documentation to support student eligibility or its reported excused absences for its Title I program.**

CFDA Number and Title:	84.010 Title I, Part A
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	221734
Questioned Cost Amount:	\$31,723

Background

The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of children from low-income families.

Eligibility of Students

Title I, Part A, funds are to be used to provide services to eligible children who reside or enroll in eligible attendance areas. From the pool of eligible children, a "targeted assistance" school selects children who have the greatest need for special assistance, such as reading or math. To determine the greatest need and to document service priority decisions, schools compile a list of children to be served. The list is typically compiled by assigning each student a score based on a combination of grades, standardized test scores and teacher recommendations.

Excused Absence Rate

The Office of Superintendent of Public Instruction (OSPI) and districts annually review each school served under Title I to determine whether it has made adequate yearly progress. Districts must identify for improvement any school that fails to make adequate yearly progress, as defined by OSPI, for two consecutive years. To make adequate yearly progress, a district must meet state benchmarks including an unexcused absence rate of 1 percent or less at middle and elementary schools (grades K-8).

Description of Condition

Eligibility of students

In fiscal year 2009, the District spent \$141,559 of its Title I grant money. The District operated targeted assistance programs at the elementary, middle and high schools.

The District spent Title I funds on salaries for three teachers who provided an after-school tutoring program for middle and high school students and a study skills class at the high school. OSPI reviewed the Title I program in April 2009 and determined that although the District did rank students at the middle and high school to determine eligibility, non-Title I students were provided Title I services as well.

Excused absences

The District reported an unexcused absence rate of 0 percent for fiscal year 2009. We tested 37 middle school absences the District reported as excused and determined 17 did not have documentation to support if the absence was correctly classified as excused. The middle school discards parent notes at the end of the school year. District policy requires records that support Title I to be retained for five years.

Cause of Condition

Eligibility of students

The District was not aware of the requirement to spend funds on students determined to be most at need.

Excused absences

District employees were unaware of requirements that Title I records be maintained.

Effect of Condition and Questioned Costs

Eligibility of students

The District cannot demonstrate students with the greatest needs were served by the Title I services at the middle and high school. Because non-Title I students received services, we are questioning payroll costs of \$31,723 associated with these programs.

Excused absences

Without appropriate supporting documentation, we could not verify that the unexcused absences report to the OSPI is accurate. Incorrectly reported attendance rates could effect the District's yearly progress requirements.

Recommendation

We recommend the District comply with federal requirements of the Title I program for student eligibility and excused absences by:

- Establishing and following internal controls to ensure that eligible students receive Title I services.
- Retaining supporting documentation to ensure all excused absences are adequately supported.

We also recommend the District consult with OSPI to resolve the questioned costs.

District's Response

The District respects the parameters set forth for the Washington State Auditor's Office (SAO) regarding audit of federal funds; however, the District stipulates the funds utilized were for allowable purposes.

The District will make minor changes that should comply with the restrictive levels set forth with Title I Federal Funds.

The actions taken or under consideration are as follows:

- *Use of Title I funds were assigned to student tutoring sessions designed to assist students with Title I eligible needs; however, the District will in the future ensure that these classes will be structured for Title I students only.*
- *The District did maintain documentation for student excused absences; however, documentation was then transferred to the WESPaC student records system and the physical document was discarded. The District is revising its structure to maintain a hand-written log that documents date, method of communication, etc. that was provided regarding a student's excused absence. This log was in place and documented telephone calls from parents and will be adjusted to reflect notes as well.*
- *The District received technical assistance from OSPI at the time of the State's Comprehensive Program Review (CPR) and will continue to seek guidance from OSPI to ensure continued compliance with Title I regulations.*

Auditor's Remarks

We appreciate the District's commitment to correcting the condition described. We will determine the status of the finding during the next audit.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

Section .300

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is

managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 20 United States Code Section 6315 – Eligible school attendance areas, states in part:

(a) In general –

In all schools selected to receive funds under section 6313 (c) of this title that are ineligible for a schoolwide program under section 6314 of this title, or that choose not to operate such a schoolwide program, a local educational agency serving such school may use funds received under this part only for programs that provide services to eligible children under subsection (b) of this section identified as having the greatest need for special assistance.

(b) Eligible children

(1) Eligible population

(A) In general

The eligible population for services under this section is—

(i) children not older than age 21 who are entitled to a free public education through grade 12; and

(ii) children who are not yet at a grade level at which the local educational agency provides a free public education.

(B) Eligible children from eligible population.

From the population described in subparagraph (A), eligible children are children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards on the basis of multiple, educationally related, objective criteria established by the local educational agency and supplemented by the school, except that children from preschool through grade 2 shall be selected solely on the basis of such criteria as teacher judgment, interviews with parents, and developmentally appropriate measures.

Washington Office of Superintendent of Public Instruction, Bulletin 041-08, states:

As part of the federal "No Child Left Behind" legislation, the Office of Superintendent of Public Instruction (OSPI) is required to collect information on unexcused absences from all schools offering Grades 1–8. This information is used to help determine if elementary and middle schools make adequate yearly progress (AYP) as part of the Title I accountability system . . .

According to RCW 28A.225.020, an unexcused absence means a student has not attended a majority of hours or periods in a school day, or has not complied with a more restrictive district policy, and has not met the conditions for an excused absence.

Revised Code of Washington 28A.225.020 - School's duties upon child's failure to attend school, states:

(1) If a child required to attend school under RCW 28A.225.010 fails to attend school without valid justification, the public school in which the child is enrolled shall:

(a) Inform the child's custodial parent, parents, or guardian by a notice in writing or by telephone whenever the child has failed to attend school after one unexcused absence within any month during the current school year. School officials shall inform the parent of the potential consequences of additional unexcused absences;

(b) Schedule a conference or conferences with the custodial parent, parents, or guardian and child at a time reasonably convenient for all persons included for the purpose of analyzing the causes of the child's absences after two unexcused absences within any month during the current school year. If a regularly scheduled parent-teacher conference day is to take place within thirty days of the second unexcused absence, then the school district may schedule this conference on that day; and

(c) Take steps to eliminate or reduce the child's absences. These steps shall include, where appropriate, adjusting the child's school program or school or course assignment, providing more individualized or remedial instruction, providing appropriate vocational courses or work experience, referring the child to a community truancy board, if available, requiring the child to attend an alternative school or program, or assisting the parent or child to obtain supplementary services that might eliminate or ameliorate the cause or causes for the absence from school. If the child's parent does not attend the scheduled conference, the conference may be conducted with the student and school official. However, the parent shall be notified of the steps to be taken to eliminate or reduce the child's absence.

(2) For purposes of this chapter, an "unexcused absence" means that a child:

(a) Has failed to attend the majority of hours or periods in an average school day or has failed to comply with a more restrictive school district policy; and

(b) Has failed to meet the school district's policy for excused absences.

(3) If a child transfers from one school district to another during the school year, the receiving school or school district shall include the unexcused absences accumulated at the previous school or from the previous school district for purposes of this section, RCW 28A.225.030, and 28A.225.015.

Title 34, Code of Federal Regulations, Section 80.42 - Retention and access requirements for records, states in part:

(a) Applicability.

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement

Orcas Island School District Procedure 6570P, states in part:

Records Management

The district records officer shall have the responsibility for the safekeeping of all records according to the retention schedule cited below. The district records officer shall have authority to dispose of materials after the recommended retention period.

Official public records have a statutory minimum retention of 6 years. The retention period for office files and memoranda is based on operational requirements for each office. Whenever applicable, the retention period starts with the "cut-off." "Cut-off" is a term used to indicate files or records may be terminated on a predetermined date. "Cut-off" prevents current records from attaining unmanageable size and facilitates the filing of new records. Calendar year records may be "cut-off" on December 31, and a new file established on January 1; all fiscal year records can be "cut-off" only upon the completion of an action or event, such as termination of contract, final payment of a contract, termination of employment, etc. Regardless of the duration of the retention

period, records series should be kept in office files after "cutoff" only as long as is necessary to satisfy (1) active reference, (2) audit, when required, and (3) other operational requirements. Once these three factors have been satisfied, the records should be transferred to a records center for the remainder of the retention period.

The retention period shall be as follows:

Records supporting ESEA Title I & Title III claims . . . 5 years

Records supporting NDEA Title I, ESEA Title II claims . . . 3 years

Schedule of Prior Federal Audit Findings

Orcas Island School District No. 137 San Juan County September 1, 2007 through August 31, 2009

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the Orcas Island School District No. 137. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: September 1, 2000 – August 31, 2003	Report Reference No: 23908	Finding Reference No: 1	CFDA Number(s): 84.027/173 and 16.729
Federal Program Name and Granting Agency: Special Education Cluster – U.S. Department of Education and Drug Free Community Support Program – U.S. Department of Health and Human Services		Pass-Through Agency Name: Office of the Superintendent of Public Instruction and Northwest Educational Service District 189	
Finding Caption: The Orcas Island School District did not have adequate internal controls over grant expenditures to support payroll costs charged to the federal Special Education grants (CFDA 84.027/173) and the Drug Free Communities grant (CFDA 16.729).			
Background: We reviewed the District's internal controls and compliance with Special Education and Drug Free Communities grant requirements. The District spent \$86,312 for Drug Free Communities in 2002. In 2002, the District spent \$102,653 for the Special Education program. In 2002, the District used portions of three administrators' salaries as match for the Drug Free Communities grant. The District could not provide documentation showing that these administrators worked on grant-related activities. This resulted in \$4,000 in unsupported costs for the program. We reviewed documentation for eight employees for 2002 respectively whose salaries were charged to the Special Education grant. Of these, we identified four employees with inadequate time and effort documentation resulting in a total of \$2,714 in unsupported costs for the program. The District did not have adequate internal controls in place to ensure compliance with time and effort requirements and to ensure that costs charged to these grants were allowable.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The District has revised its Time & Effort program materially from what was in place at the time of this finding. The District maintains communication between the Business Office (at this time, NWESD Fiscal Service Contract) and the Payroll Officer (assigned T&E Management).</i>			

The Business Manager prepares a schedule of all federally funded staff members as well as those that are classified as Match staff. The schedule indicates which staff will be subject to monthly or semi-annual certification.

The Payroll Officer maintains a very organized structure for tracking each staff member provided on that roster and also individually works with staff to ensure the schedule provided by the Business Manager accurately reflects the employee's assignment. The Payroll Officer maintains the original T&E forms in the District Office.

The District will continue to examine its T&E process and make adjustments where necessary that will ensure compliance with T&E guidelines.